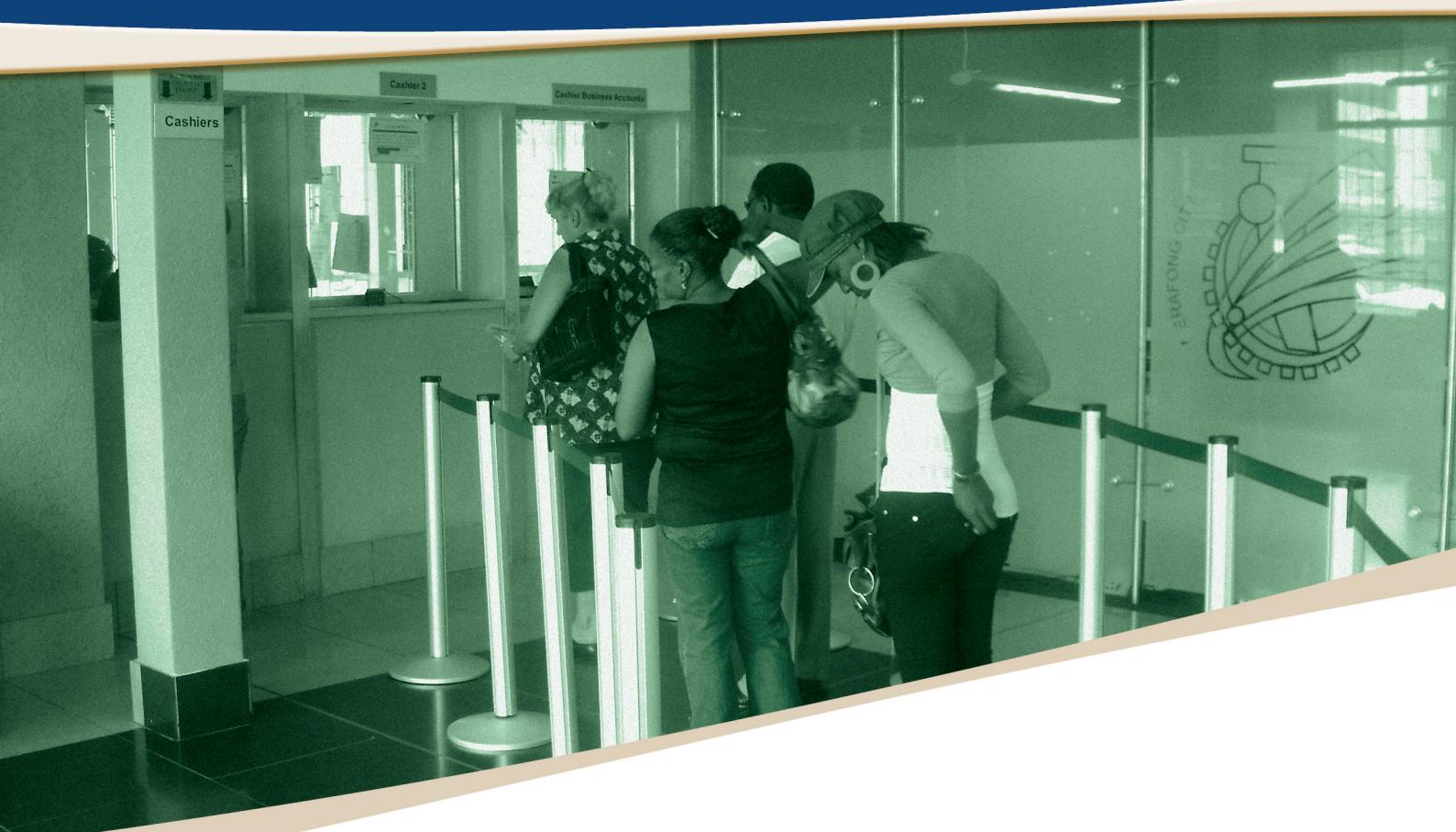


Chapter 4

AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION



Merafong City
Annual Report 2008/2009

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MERAFONG CITY LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Merafong City Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 96 to 135.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, *GRAP 1 Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Merafong

City Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Property, plant and equipment

8. The Standard of Generally Recognised Accounting Practice, GRAP 17 *Property, plant and equipment*, paragraph 38 and 39 states that subsequent to initial recognition at cost, an item of property, plant and equipment should be carried at cost less accumulated depreciation and accumulated impairment losses or at a revalued amount less accumulated depreciation and accumulated impairment losses. Contrary to accounting policy note 2 and note 8 to the financial statements, the municipality did not succeed in completing the valuation process within the allowable period. I was unable to practicably quantify the misstatements and could not perform alternative procedures due to a lack of sufficient appropriate supporting documents which will only be available on completion of the valuation exercise. Consequently I was unable to satisfy myself as to the existence, rights and obligations, completeness and valuation and allocation of property, plant and equipment of R335 021 000 included in the statement of financial position.

Qualified opinion

9. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Merafong City Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Unauthorised, irregular or fruitless and wasteful expenditure as well as material losses through criminal conduct

10. As disclosed in note 38.2 to the financial statements, unauthorised expenditure to the amount of R14 239 000 was incurred due to overspending on various votes.

Restatement of corresponding figures

11. As disclosed in note 36 to the financial statements, the property, plant and equipment, stock in transit, finance leases and reserves amounts included in the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during 2009 in the financial statements of the Merafong City Local Municipality at, and for the year ended, 30 June 2008. The result of the restatement is a decrease in the operating profit of R7 553 000, a decrease in assets of R26 000 000, a decrease in liabilities of R6 030 000 and a decrease in reserves of R27 523 000.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

12. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages 136 to 137 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

13. The municipality did not submit returns on their conditional grant spending in the required format as required by section 31(4) of the MFMA and section 31(2) of the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA).

GNR.868 of 30 May 2005: Municipal Supply Chain Management Regulations

14. Written monthly reports containing particulars of each final award made by an official or bid committee were not submitted within five days of the end of each month to the accounting officer or his sub-delegates as required by regulation 5(3).

15. The municipality did not publicly invite prospective providers to submit their details for inclusion in the supplier database as required by regulation 14(1)(a(ii)).

Governance framework

16. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

17. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8.	Property, Plant and Equipment	1,2			1	

18. Action plans to address the revaluation process could not realistically take into account the extent as well as the challenges specific to this exercise due to the lack of prescribed processes and benchmarks to implement the various requirements of the GRAP standards. The municipality had to formulate and implement their own processes, adjust the organisational structure and assign appropriate levels of responsibility, all of which will only be finalised over a period of time.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

19. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	
Quality of financial statements and related management information			
2	The financial statements were not subject to any material amendments resulting from the audit.	Y	
3	The annual report was submitted for consideration prior to the tabling of the auditor's report.	Y	
Timeliness of financial statements and management information			
4	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	Y	
Availability of key officials during audit			
5	Key officials were available throughout the audit process.	Y	
Development and compliance with risk management, effective internal control and governance practices			
6	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. The audit committee operates in accordance with approved, written terms of reference. The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	Y	
7	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. The internal audit function operates in terms of an approved internal audit plan. The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	Y	
8	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	Y	
9	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.	Y	

12	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
13	The prior year audit findings have been substantially addressed.		N
14	SCOPA/Oversight resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	Y	
16	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	Y	
17	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the [entity name] against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA.	Y	
18	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

20. The only material prior year audit finding relates to the property, plant and equipment. This is due to the extent of the challenges synonymous with the verification and valuation of municipal assets. The exercise covers a substantial geographical area, including difficult terrain for which historical data does not exist, it requires the use of specialists, adjustment and updating of the municipal information systems as well as the formulation and implementation of operational and accounting policies and procedures

Investigations

21. An investigation was conducted to probe the manner and the extent to which cashiers misappropriated cash. The investigation has resulted in criminal proceedings being instituted against seven employees.

22. An investigation into the licensing department was conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on an allegation of possible fraudulent licensing by employees of the municipality. The report was submitted to management and this resulted in subsequent investigations which are still in progress.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

23. I have reviewed the performance information as set out on pages 24 to 69.

The accounting officer's responsibility for the performance information

24. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

25. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
26. In terms of the foregoing my engagement included performing procedures to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
27. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Usefulness and reliability of reported performance information

28. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

Reported performance information not relevant

29. The following target with regard to the Roads and Storm water objectives were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required performance
- time-bound in specifying the time period or deadline for delivery.

Development Priority and Objective	Key performance indicator
To render an effective and efficient integrated Road and Storm water service in the jurisdiction area Merafong City	Access roads built

APPRECIATION

30. The assistance rendered by the staff of the Merafong City Local Municipality during the audit is sincerely appreciated.

Auditor General

Pretoria

15 January 2010



Auditing to build public confidence

MERAFONG CITY LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 86 to 137, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE: 31 August 2009

MERAFONG CITY LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

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FINAL DRAFT REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MERAFONG CITY LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Merafong City Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, *GRAP 1 Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this

financial year, I have determined that my audit of any disclosures made by the Merafong City Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Property, plant and equipment

8. The Standard of Generally Recognised Accounting Practice, GRAP 17 *Property, plant and equipment*, paragraph 38 and 39 states that subsequent to initial recognition at cost, an item of property, plant and equipment should be carried at cost less accumulated depreciation and accumulated impairment losses or at a revalued amount less accumulated depreciation and accumulated impairment losses. Contrary to accounting policy note 2 and note 8 to the financial statements, the municipality did not succeed in completing the valuation process within the allowable period. I was unable to practicably quantify the misstatements and could not perform alternative procedures due to a lack of sufficient appropriate supporting documents which will only be available on completion of the valuation exercise. Consequently I was unable to satisfy myself as to the existence, rights and obligations, completeness and valuation and allocation of property, plant and equipment of R335 021 000 included in the statement of financial position.

Qualified opinion

9. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Merafong City Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Unauthorised, irregular or fruitless and wasteful expenditure as well as material losses through criminal conduct

10. As disclosed in note 38.2 to the financial statements, unauthorised expenditure to the amount of R14 239 000 was incurred due to overspending on various votes.

Restatement of corresponding figures

11. As disclosed in note 36 to the financial statements, the property, plant and equipment, stock in transit, finance leases and reserves amounts included in the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during 2009 in the financial statements of the Merafong City Local Municipality at, and for the year ended, 30 June 2008. The result of the restatement is a net surplus in the operating profit of R7 553 000, a decrease

in assets of R26 000 000, a decrease in liabilities of R6 030 000 and a decrease in reserves of R27 523 000.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Other information included in the annual report

12. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

13. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

14. The municipality did not submit returns on their conditional grant spending in the required format as required by section 31(4) of the MFMA and section 31(2) of DoRA.

GNR.868 of 30 May 2005: Municipal Supply Chain Management Regulations

15. Written monthly reports containing particulars of each final award made by an official or bid committee were not submitted within five days of the end of each month to the accounting officer or his sub delegates as required by regulation 5(3).

16. The municipality did not publicly invite prospective providers to submit their details for inclusion in the supplier database as required by regulation 14(1)(a)(ii)).

Governance framework

17. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

18. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion.

The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8.	Property, Plant and Equipment	1,2			1	

19. Action plans to address the revaluation process could not realistically take into account the extent as well as the challenges specific to this exercise due to the lack of prescribed processes and benchmarks to implement the various requirements of the GRAP standards. The municipality had to formulate and implement their own processes, adjust the organisational structure and assign appropriate levels of responsibility, all of which will only be finalised over a period of time.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

20. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	
Quality of financial statements and related management information			
2	The financial statements were not subject to any material amendments resulting from the audit.	Y	
3	The annual report was submitted for consideration prior to the tabling of the auditor's report.		N
Timeliness of financial statements and management information			
4	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	Y	
Availability of key officials during audit			
5	Key officials were available throughout the audit process.	Y	
Development and compliance with risk management, effective internal control and governance practices			
6	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. The audit committee operates in accordance with approved, written terms of reference. The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	Y	
7	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. The internal audit function operates in terms of an approved internal audit plan. The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	Y	
8	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	Y	
9	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.	Y	

12	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
.13	The prior year audit findings have been substantially addressed.		N
14	SCOPA/Oversight resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	Y	
16	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	Y	
17	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the [entity name] against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA.	Y	
18	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

21. The only material prior year audit finding relates to the fixed assets. This is due to the extent of the challenges synonymous with the verification and valuation of municipal assets. The exercise covers a substantial geographical area, including difficult terrain for which historical data does not exist, it requires the use of specialists, adjustment and updating of the municipal information systems as well as the formulation and implementation of operational and accounting policies and procedures

Investigations

22. An investigation was conducted to probe the manner and the extent to which cashiers misappropriated cash. The investigation has resulted in criminal proceedings being instituted against seven employees.

23. An investigation into the licensing department was conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on an allegation of possible fraudulent licensing by employees of the municipality. The report was submitted to management and resulted in subsequent investigations which are still in progress.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

24. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

25. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

26. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

27. In terms of the foregoing my engagement included performing procedures to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

28. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Reported performance information not relevant

29. The following target with regard to the Roads and Storm water objectives were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required performance
- time bound in specifying the time period or deadline for delivery.

Development Priority and Objective	Key performance indicator
To render an effective and efficient integrated Road and Storm water service in the jurisdiction area Merafong City	Access roads built

APPRECIATION

30. The assistance rendered by the staff of the Merafong City Local Municipality during the audit is sincerely appreciated.

Place of signing

Date of signing

AUDITOR-GENERAL
SOUTH AFRICA

DRAFT

MERAFONG CITY LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	2009 R'000	2008 R'000
ASSETS			
Current assets			
Cash and cash equivalents	1	116 167	20 946
Trade and other receivables from exchange transactions	2	79 635	69 122
Other receivables from non-exchange transactions	3	13 665	23 102
Inventories	4	5 692	5 261
Investments	5	190 204	31 354
Current portion of receivables	6	985	913
VAT receivable	12	3 970	5 349
Non-current assets			
Non-current receivables	6	11	12
Investments	7	11 435	20 386
Property, plant and equipment	8	335 021	217 147
Total assets		756 785	393 593
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	69 657	56 999
Consumer deposits	10	9 019	8 066
VAT payable	11	25 946	24 037
Current provisions	13	1 364	1 341
Current portion of unspent conditional grants and receipts	14	282 160	49 381
Current portion of borrowings	15	7 000	17 196
Current portion of finance lease liability	16	9 623	13 935
Non-current liabilities			
Non-current borrowings	15	74 234	63 595
Non-current finance lease liability	16	26 965	29 360
Total liabilities		505 968	263 909
Net assets		250 817	129 684
NET ASSETS			
Reserves		238 343	141 651
Accumulated surplus / (deficit)		12 474	(11 967)
Total net assets		250 817	129 684

MERAFONG CITY LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2009

	Note	2009 R'000	2008 R'000
Revenue			
Property rates	17	81 854	55 619
Property rates - penalties imposed and collection charges	17	2 946	3 753
Service charges	18	289 898	255 551
Rental of facilities and equipment	19	939	941
Interest earned - external investments	20	32 263	9 121
Interest earned - outstanding receivables	21	17 090	16 531
Fines		2 344	3 295
Licences and permits		10 190	8 406
Government grants and subsidies	22	238 249	145 681
Public contributions and donations	23	2 043	4 727
Other income	23	7 049	16 553
Total revenue		684 866	520 179
Expenses			
Employee related costs	24	171 230	152 761
Remuneration of councillors	25	11 614	10 262
Collection costs		545	279
Depreciation and amortisation expense	26	23 144	17 335
Repairs and maintenance		12 247	13 282
Finance costs	27	13 388	13 452
Bulk purchases	28	159 261	140 300
Contracted services	29	19 820	21 380
Grants and subsidies paid	30	6 032	5 813
General expenses	31	106 867	53 979
Transfer to Provisions		43 521	59 041
Total expenses		567 669	487 885
Gain / (loss) on sale of assets	32	780	1 483
Inventories: (Write-down) / reversal of write-down to net realisable value	4	(878)	(917)
Surplus for the period		117 098	32 860

MERAFONG CITY LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2009

MERAFONG CITY LOCAL MUNICIPALITY

CASH FLOW STATEMENT

as at 30 June 2009

	Note	2009 R'000	2008 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 148 831	669 140
External Loans Income		19 930	-
Sales of goods and services		432 374	3078 093
Grants		523 174	145 681
Investments redeemed		138 724	206 445
Interest Received		32 263	9 121
Other receipts		2 366	-
Payments		745 205	5701 807
Employee costs		171 230	152 761
Suppliers		304 227	234 755
Interest paid		13 388	13 452
Investments made		256 360	169 218
Net cash flows from operating activities	33	403 627	98 953
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(136 736)	(88 700)
Proceeds from sale of fixed assets		780	1 483
Proceeds from sale of investments		(10 785)	1 596
Net cash flows from investing activities		(146 741)	(85 621)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		16 962	15 323
Repayment of borrowings		(16 519)	(4 015)
Proceeds from finance lease liability		3 342	(35 020)
Repayment of finance lease liability		(10 048)	(11 932)
Net cash flows from financing activities		(6 263)	(35 643)
Net increase / (decrease) in net cash and cash equivalents		250 622	(22 311)
Net cash and cash equivalents at beginning of period		52 299	74 610
Net cash and cash equivalents at end of period	34	302 922	52 299

MERAFONG CITY LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non Generating Assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 26 Impairment of Cash Generating Assets

GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a cost, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	30 Years	Buildings	30 Years
Pedestrian Malls	30 Years	Specialist vehicles	10 Years
Electricity	20 - 30 Years	Other vehicles	5 Years
Water	15 - 20 Years	Office equipment	3 - 7 Years
Sewerage	15 - 20 Years	Furniture and fittings	7 - 10 Years
		Watercraft	15 Years
		Bins and containers	5 Years
Community		Specialised plant and equipment	10 - 15 Years
Buildings	30 Years	Other items of plant and equipment	2 - 5 Years
Recreational Facilities	20 - 30 Years	Landfill sites	15 Years
Security	5 Years	Quarries	15 Years
Halls	30 Years	Emergency equipment	5 Years
Libraries	30 Years	Computer equipment	5 Years
Parks and gardens	2 - 30 Years		
Other assets	5 Years		
Heritage assets			
Buildings	30 Years		
Paintings and artifacts	5 - 30 Years		
Finance lease assets			
Office equipment	5 Years		
Other assets	5 Years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10 LEASES

10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on the average of the past six months readings

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on the average of the past six months readings

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Joint Municipal Pension Fund

Joint Municipal Pension Fund

14 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs*

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
2008/2009

	Note	2009 R'000	2008 R'000
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		30	22
Cash at bank		115 836	20 638
Call deposits		302	286
		116 167	20 946
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
ABSA Bank Ltd - Carletonville Branch Acc No. 3-000-0000-2			
Cash book balance at beginning of year		3 036	(9 892)
Cash book balance at end of year		83 165	3 036
Bank statement balance at beginning of year		3 039	(3 889)
Bank statement balance at end of year		83 165	3 039
<u>Current Account (Other Account)</u>			
ABSA Bank Ltd - Carletonville Branch Acc No 16-1000-0017			
ABSA Bank Ltd - Carletonville Branch Acc No. 40-6380-8201			
ABSA Bank Ltd - Carletonville Branch Acc No. 40-6391-4228			
ABSA Bank Ltd - Carletonville Branch Acc No. 40-6061-4407			
NEDBANK Ltd - Corporate Banking Acc No 1454087331			
NEDBANK Ltd - Corporate Banking Acc No 1454087358			
NEDBANK Ltd - Corporate Banking Acc No 1454087366			
NEDBANK Ltd - Corporate Banking Acc No 1454087374			
NEDBANK Ltd - Corporate Banking Acc No 1454087382			
Cash book balance at beginning of year		17 602	13 423
Cash book balance at end of year		32 670	17 602
Bank statement balance at beginning of year		17 970	11 608
Bank statement balance at end of year		31 105	17 970
<u>Savings Account</u>			
ABSA Bank Ltd - Carletonville Branch Acc No 9079119247			
ABSA Bank Ltd - Carletonville Branch Acc No 6074386162			
ABSA Bank Ltd - Carletonville Branch Acc No 8074386033			
ABSA Bank Ltd - Carletonville Branch Acc No 54365896			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/5			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/7			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/12			
NEDBANK Ltd - Corporate Banking Acc No 7492501323/13			
Cash book balance at beginning of year		286	270
Cash book balance at end of year		302	286
Bank statement balance at beginning of year		286	270
Bank statement balance at end of year		302	286
<u>Cash on hand</u>			
Total cash and cash equivalents		30	22
		116 167	20 946

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
2008/2009

	Note	2009		2008	
		R'000	R'000	R'000	R'000
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS				Provision for Doubtful Debts	
Trade receivables		Gross Balances		Net Balance	
as at 30 June 2009		R'000		R'000	
Service debtors					
Rates		79 895	(68 878)	11 018	
Electricity		17 784	(13 958)	3 826	
Water		74 785	(58 699)	16 085	
Sewerage		33 653	(26 413)	7 240	
Refuse		52 288	(41 039)	11 250	
		<u>157 011</u>	<u>(126 795)</u>	<u>30 216</u>	
Total		415 415	(335 781)	79 635	
as at 30 June 2008					
Service debtors					
Rates		63 522	(56 211)	7 311	
Electricity		17 358	(14 008)	3 350	
Water		74 545	(56 646)	17 899	
Sewerage		29 456	(23 772)	5 684	
Refuse		45 150	(36 437)	8 713	
		<u>135 588</u>	<u>(109 424)</u>	<u>26 165</u>	
Total		365 620	(296 498)	69 122	
Rates: Ageing					
Current (0 – 30 days)			(2 777)	3 006	
31 - 60 Days			2 742	2 946	
61 - 90 Days			1 273	1 610	
91 - 120 Days			985	1 386	
121 - 365 Days			25 296	4 133	
+ 365 Days			52 376	50 441	
Total			79 895	63 522	
Electricity, Water and Sewerage: Ageing					
Current (0 – 30 days)			38 842	13 824	
31 - 60 Days			48 740	15 120	
61 - 90 Days			7 036	8 964	
91 - 120 Days			5 993	7 373	
121 - 365 Days			120 990	6 955	
+ 365 Days			113 918	249 861	
Total			335 520	302 097	
Summary of Debtors by Customer Classification					
		Consumers	Industrial / Commercial	National and Provincial Government	
		R'000	R'000	R'000	
as at 30 June 2009					
Current (0 – 30 days)		34 914	1 280	(128)	
31 - 60 Days		50 489	585	408	
61 - 90 Days		7 249	697	363	
91 - 120 Days		6 582	93	302	
121 - 365 Days		310 804	646	1 131	
Sub-total		410 038	3 301	2 077	
Less: Provision for doubtful debts		(331 416)	(2 686)	(1 679)	
Total debtors by customer classification		78 623	614	398	
as at 30 June 2008					
Current (0 – 30 days)		17 270	366	(806)	
31 - 60 Days		17 093	575	398	
61 - 90 Days		10 021	261	293	
91 - 120 Days		8 269	107	383	
121 - 365 Days		304 951	1 445	4 994	
Sub-total		357 603	2 754	5 263	
Less: Provision for doubtful debts		(292 644)	(1 482)	(2 372)	
Total debtors by customer classification		64 960	1 271	2 891	
Trade and other receivables past due but not impaired					

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
2008/2009

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2009, R39 909 769.82 - (2008: R38 932 568.57 -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Up to 90 days

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R 415 415 401- (2008: R 365 619 607) were impaired and provided for.

The amount of the provision was R 335 780 841- as of 30 June 2009 (2008: R 296 497 983).

The ageing of these receivables is as follows:

Up to 150 days - 50%	3 172	422
Up to 200 days - 75%	3 591	466
Up to 300 days- 80%	51 004	65 777
Inactive Accounts - 100%	2 286	4 000
Indigent debt - 100%	44 620	58 233
Handed over debt - 100%	229 964	165 335
Arrangement - 100%	1 144	2 265

The fair value of trade and other receivables approximates their carrying amounts.

2 Reconciliation of the doubtful debt provision

Balance at beginning of the year	296 498	237 532
Contributions to provision	43 480	58 966
Doubtful debts written off against provision	(4 197)	0
Reversal of provision	0	0
Balance at end of year	335 781	296 498

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Pre Paid Offsite Vending account	1 634	204
Irregular Expenditure (see Note 30.2)	867	867
Government subsidies	11 076	6 781
Nedbank	88	499
DBSA	0	14 752
Total Other Debtors	13 665	23 102

Pre Paid Offsite vending Debtor: Council discovered an irregularity with the sale of pre paid tokens and the recording off the receipts. Certain funds were not banked and 11 employees were suspended for fraud and criminal cases were opened. A full investigation is underway.

4 INVENTORIES

Opening balance of inventories:

Consumable stores - at cost	5 261	4 968
Water	4 880	4 600
	381	368
Additions:	107 079	103 760
Consumable stores	7 169	7 478
Water	99 910	96 282
Issued (expensed):	(106 648)	(103 467)
Consumable stores	(6 800)	(7 199)
Water	(99 848)	(96 269)
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	(878)	(917)
Consumable stores	(878)	(917)
Closing balance of inventories:	5 692	5 261
Consumable stores	5 248	4 880
Water	444	381

Redundant Stock are provided for stock with no movement in the past 400 days

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
2008/2009

Note	2009 R'000	2008 R'000
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5 INVESTMENTS

Call investments	190 204	31 354
	190 204	31 354

Fixed deposits amounting to R190 203 538 (2008: R31 353 777) have been ring-fenced for the purposes of repaying long-term liabilities as set out in Note 36.

6 NON-CURRENT RECEIVABLES

Consumer Loans	141	138
Computer Loans	12	14
Bursaries	843	774
	996	926
Less : Current portion transferred to current receivables	(985)	(913)
Consumer Loans	(141)	(138)
Computer Loans	(2)	(2)
Bursaries	(843)	(774)
	11	12

CONSUMER LOANS

Consumer Loans are granted to consumers for the purchase of stands and are charged interest equal to the prevailing prime rate.

COMPUTER LOANS

Computer loans are charged at an interest rate equivalent to the rate that Council invest funds during the year.

BURSARIES

Bursaries were granted in terms of a specific policy at an interest rate of 8% if the candidate pass or 10% if they fail their academic year.

7 INVESTMENTS

Financial Instruments

Fixed Deposits	11 268	20 226
Listed Investments	167	160
	11 435	20 386

Pledged Investments

A fixed deposit amounting to R11 435 320 has been invested for the purpose for repaying long-Term Liabilities

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Reconciliation of Carrying Value

	Land R'000	Buildings R'000	Infrastructure R'000	Community R'000	Heritage R'000	Other Assets R'000	Finance lease assets R'000	Total R'000
as at 1 July 2008								
Cost/Revaluation	8 240	(7)	139 247	25 082	44	11 503	33 039	217 149
Accumulated depreciation and impairment losses	11 563 (3 324)	6 618 (6 625)	370 018 (230 771)	97 230 (72 148)	44	33 889 (22 386)	45 529 (12 490)	564 893 (347 743)
Acquisitions	0	0	2 497	1 804	0	4 158	3 595	12 053
Capital under Construction	1 062 (50)	0 7	119 873 (8 890)	3 748 (376)	0	0	0	124 683 (23 144)
Depreciation						(4 652)	(9 183)	
Carrying value of disposals	0	0	0	0	0	(82)	(227)	(310)
Cost/Revaluation	0	0	0	0	0	(163)	(343)	(506)
Accumulated depreciation and impairment losses	0	0	0	0	0	81	116	197
Impairment loss/Reversal of impairment loss	0	0	7	0	0	236	84	327
Adjustments				(18)	0	623	50	655
Adjustments	0	0	0	18	0	3 559	30	3 607
as at 30 June 2009								
Cost/Revaluation	9 253	0	252 733	30 257	45	15 345	27 388	335 021
Accumulated depreciation and impairment losses	12 626 (3 372)	6 618 (6 618)	492 388 (239 654)	102 764 (72 507)	45 0	38 506 (23 161)	48 831 (21 444)	701 777 (366 756)
Carrying value of assets under Construction	1 365		191 722	9 783			202 870	

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
as at 1 July 2007	8 262	(48)	89 171	16 556	40	10 120	24 872	148 972
Cost/Revaluation	11 563	6 618	313 931	88 642	40	37 250	31 901	489 945
Correction of error (note 36)		(41)	13					(28)
Accumulated depreciation and impairment losses	(3 302)	(6 625)	(224 774)	(72 086)	0	(27 129)	(7 029)	(340 945)
Acquisitions	0	0	3 410	3 132	3	2 468	13 628	22 642
Capital under Construction			42 843	5 454				48 297
Depreciation	(35)	0	(5 554)	(61)	0	(5 525)	(5 461)	(16 637)
Carrying value of disposals	0	0	0	0	0	(338)	0	(338)
Cost/Revaluation	0	0	0	0	0	(1 651)	0	(1 651)
Accumulated depreciation and impairment losses	0	0	0	0	0	1 313	0	1 313
Impairment loss/Reversal of impairment loss	0	0	(442)	2	1	4 913	0	4 474
*Other movements	6	0	9 833	(0)	0	1 012	0	10 851
as at 30 June 2008	8 240	(7)	139 248	25 082	44	11 503	33 039	217 150
Cost/Revaluation	11 563	6 618	370 018	97 230	44	33 889	45 529	564 893
Accumulated depreciation and impairment losses	(3 324)	(6 625)	(230 770)	(72 148)	0	(22 386)	(12 490)	(347 742)
Carrying value of assets under Construction			77 742	5 967				83 709

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R'000	2008 R'000
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9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	38 185	25 637
Payments received in advance	6 956	4 358
Retentions	8 372	4
Tender Deposits	0	38
Outstanding Cheques	3 118	13 430
Other creditors	4 371	5 812
Staff leave accrual	8 655	7 721
Total creditors	69 657	56 999

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

Electricity and Water	9 019	8 066
Total consumer deposits	9 019	8 066
Guarantees held in lieu of Electricity and Water Deposits	1 246 660	1 513 860

11 VAT PAYABLE

VAT payable	25 946	24 037
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

12 VAT RECEIVABLE

VAT receivable	3 970	5 349
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

13 PROVISIONS

Performance bonus	1 364	1 341
Total Provisions	1 364	1 341

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Performance bonuses are provided at 12% of the packages of section 57 employees and Managers with performance contracts as stated in the contracts.

The movement in current provisions are reconciled as follows: -

	Performance Bonus
as at 1 July 2008	1 341
Contributions to provision	1 364
Expenditure incurred	(1 341)
as at 30 June 2009	1 364

as at 1 July 2007	1 214
Contributions to provision	1 396
Expenditure incurred	(1 270)
as at 30 June 2008	1 341

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
14.1 Unspent Conditional Grants from other spheres of Government			
MIG Grants		24 724	14 043
PHB Gauteng		708	2 772
PHB North-West		241 861	18 238
DPLG		3 334	3 923
WRDM		1 463	858
Southern District Municipality		4 232	3 400
Department of Mineral Energy		5 594	5 594
Provincial LED Projects		564	437
14.2 Other Unspent Conditional Grants and Receipts			
NLDTF		(1 094)	68
Public contributions		774	47
Total Unspent Conditional Grants and Receipts		282 160	49 381
Non-current unspent conditional grants and receipts			
Current portion of unspent conditional grants and receipts		282 160	49 381

See Note 22 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

15 BORROWINGS

Local Registered Stock Loans	4 000	5 100
Annuity Loans	77 234	75 691
	81 234	80 791
Less : Current portion transferred to current liabilities	(7 000)	(17 196)
Local Registered Stock Loans	0	(1 100)
Annuity Loans	(7 000)	(16 096)
Total borrowings	74 234	63 595

Refer to Appendix A for more detail on borrowings.

16 FINANCE LEASE LIABILITY

2009	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
Amounts payable under finance leases			
Within one year	13 449	3 826	9 623
Within two to five years	31 449	4 484	26 965
	44 898	8 310	36 588
Less: Amount due for settlement within 12 months (current portion)			(9 623)
			26 965

The average lease term is 5 years and the average effective borrowing rate is 12.5%. The Amasondo contract is linked to prime Interest rate. Rentworks are fixed for the period of five years. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2008	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
Amounts payable under finance leases			
Within one year	19 306	5 371	13 935
Within two to five years	37 670	8 310	29 360
	56 976	13 682	43 295
Less: Amount due for settlement within 12 months (current portion)			(13 935)
			29 360

The average lease term is 5 years and the average effective borrowing rate is 12.5%. The Amasondo contract is linked to prime Interest rate. Rentworks are fixed for the period of five years. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
17 PROPERTY RATES			
Actual			
Residential		81 854	54 803
State		0	816
Total property rates		81 854	55 619
Property rates - penalties imposed and collection charges		2 946	3 753
Total		84 800	59 372
Valuations			
Residential		4 420 797	452 654
Commercial		1 146 931	77 145
State		74 249	4 439
Municipal		194 539	1 431
Total Property Valuations		5 836 516	535 670

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.0099 (2008: R0.0199) is applied to property valuations for residential properties, R0.0235 for Businesses and R0.0300 for mines to determine assessment rates. Rates are levied on a monthly basis on property owners. Interest at Prime is levied on outstanding rates.

18 SERVICE CHARGES

Sale of electricity	107 306	82 831
Sale of water	142 923	135 453
Refuse removal	22 617	21 612
Sewerage and sanitation charges	16 339	15 072
Rent Subsidised Housing	714	582
Total Service Charges	289 898	255 551

19 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	667	681
Rental of equipment	272	260
Total rentals	939	941

20 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	32 263	9 121
Total interest	32 263	9 121

21 INTEREST EARNED - OUTSTANDING RECEIVABLES

Debtors	17 090	16 531
Total interest	17 090	16 531

22 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	84 996	65 298
Health subsidies	5 491	8 516
District Municipalities	4 366	9 836
Government Grants received	143 396	62 031
Total Government Grant and Subsidies	238 249	145 681

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidies the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R181.73 (2008: R168.56) which is funded from this grant.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
22.2 Provincial Health Subsidies			
Balance unspent at beginning of year		0	0
Current year receipts - included in public health vote		65	8 516
Conditions met - transferred to revenue		(65)	(8 516)
Conditions still to be met - transferred to liabilities (see note 14)		0	0

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy

22.3 MIG Grant			
Balance unspent at beginning of year		0	0
Current year receipts		14 043	11 193
Conditions met - transferred to revenue		38 504	29 373
Conditions still to be met - transferred to liabilities (see note 14)		(27 823)	(26 524)
		24 724	14 043

This grant was used to construct various infrastructure assets. No funds have been withheld.

22.4 Provincial LED Projects			
Balance unspent at beginning of year		0	0
Current year receipts		437	450
Conditions met - transferred to revenue		390	0
Conditions still to be met - transferred to liabilities (see note 14)		(263)	(14)
		564	437
		0	0

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.

22.5 CMIP			
Balance unspent at beginning of year		0	17
Current year receipts		0	0
Conditions met - transferred to revenue		0	(17)
Conditions still to be met - transferred to liabilities (see note 14)		0	0

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.6 Department of Sports and Recreation			
Balance unspent at beginning of year		0	7
Current year receipts		0	0
Conditions met - transferred to revenue		0	(7)
Conditions still to be met - transferred to liabilities (see note 14)		0	0

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.7 DPLG			
Balance unspent at beginning of year		3 923	5 226
Current year receipts		1 235	1 234
Conditions met - transferred to revenue		(1 824)	(2 536)
Conditions still to be met - transferred to liabilities (see note 14)		3 334	3 923

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
22.8 Gauteng Provincial Housing Board			
Balance unspent at beginning of year		2 772	4 756
Current year receipts		973	1 160
Conditions met - transferred to revenue		(3 037)	(3 144)
Conditions still to be met - transferred to liabilities (see note 14)		<u>708</u>	<u>2 772</u>

This grant was used to construct housing. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.9 North West Provincial Housing Board

Balance unspent at beginning of year	18 238	18 337
Current year receipts	330 510	24 707
Conditions met - transferred to revenue	(106 887)	(24 806)
Conditions still to be met - transferred to liabilities (see note 14)	<u>241 861</u>	<u>18 238</u>

This grant was used to construct housing. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.1 Public Works

Balance unspent at beginning of year	0	88
Current year receipts	0	0
Conditions met - transferred to revenue	0	(88)
Conditions still to be met - transferred to liabilities (see note 14)	<u>0</u>	<u>0</u>

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.11 West Rand District Municipality

Balance unspent at beginning of year	858	2 004
Current year receipts	1 091	440
Conditions met - transferred to revenue	(485)	(1 587)
Conditions still to be met - transferred to liabilities (see note 14)	<u>1 463</u>	<u>858</u>

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.13 GAUTRANS

Balance unspent at beginning of year	0	246
Current year receipts	0	0
Conditions met - transferred to revenue	0	(246)
Conditions still to be met - transferred to liabilities (see note 14)	<u>(0)</u>	<u>0</u>

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.14 Dr Kaunda District Municipality

Balance unspent at beginning of year	3 400	2 020
Current year receipts	3 909	4 232
Conditions met - transferred to revenue	(3 077)	(2 852)
Conditions still to be met - transferred to liabilities (see note 14)	<u>4 232</u>	<u>3 400</u>
	0	0

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
22.15 Department of Mineral Energy			
Balance unspent at beginning of year		5 594	194
Current year receipts		0	5 400
Conditions met - transferred to revenue		0	0
Conditions still to be met - transferred to liabilities (see note 14)		5 594	5 594

This grant was used to construct infrastructure and to finance a HIV Programme. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

22.16 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, 2006, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

23.1 Other income

Total Other Income	7 049	16 553
	7 049	16 553

23.1 Public contributions and donations

Public contributions - Conditional	1 607	758
Public contributions - Unconditional		
Donations		
Total public contributions and donations	1 607	758

Reconciliation of conditional contributions

Balance unspent at beginning of year	116	4 085
Current year receipts	1 607	758
Conditions met - transferred to revenue	(2 043)	(4 727)
Conditions still to be met - remain liabilities (see note 14)	(320)	116

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met. No funds have been withheld

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	112 662	100 105
Employee related costs - Contributions for UIF, pensions and medical aids	32 409	30 528
Travel, motor car, accommodation, subsistence and other allowances	6 666	6 582
Housing benefits and allowances	2 517	2 324
Overtime payments	14 844	11 328
Performance bonus	1 268	1 270
Long-service awards	863	624
Total Employee Related Costs	171 230	152 761

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager

Annual Remuneration	850	748
Performance Bonus	93	90
Total	943	838

Remuneration of the Chief Finance Officer

Annual Remuneration	711	625
Performance- and other bonuses	92	75
Total	803	701

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Infrastructure Development	Chief Operating Officer	Community Services	Note		2009 R'000	2008 R'000
						Economic Development, Planning & Environmental Management	R'000
Remuneration of Individual Executive Directors				R'000	R'000	R'000	R'000
2009							
Annual Remuneration				711	711	711	711
Performance- and other bonuses				87	59	75	89
Total				798	770	786	799

	Infrastructure Development	Chief Operating Officer	Community Services	Note		2009 R'000	2008 R'000
						Economic Development, Planning & Environmental Management	R'000
Remuneration of Individual Executive Directors				R'000	R'000	R'000	R'000
2008							
Annual Remuneration				625	625	625	625
Performance- and other bonuses				75	0	75	75
Total				701	625	701	701

25 REMUNERATION OF COUNCILLORS

Executive Mayor		571	514
Speaker		447	403
Executive Committee Members		3 811	3 164
Councillors		6 786	6 182
Total Councillors' Remuneration		11 614	10 262

In-kind Benefits

The Executive Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has four full-time VIP Security personnel.

26 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment		23 151	17 335
Total Depreciation and Amortisation		23 151	17 335

27 FINANCE COSTS

External loans		8 065	7 904
Arrear Creditors Accounts		1	25
Finance leases		5 322	5 507
Bank overdrafts		0	16
Total Finance Costs		13 388	13 452

28 BULK PURCHASES

Electricity		59 351	44 018
Water		99 910	96 282
Total Bulk Purchases		159 261	140 300

29 CONTRACTED SERVICES

Contracted services for:		19 820	21 380
		19 820	21 380

30 GRANTS AND SUBSIDIES PAID

Grant/subsidy to Indigent Consumers		6 032	5 813
		6 032	5 813

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R'000	2008 R'000
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31 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising Costs	295	182
Annual Report	223	317
Attendance And Conference Fees	154	166
Bank Charges	1 217	1 312
Beneficiary Admin Costs	26	1
Buildings	170	60
By-Laws	13	11
Campaign HIV/Aids	485	544
Capital Replacement Fund	6	0
Class fees (Training)	147	122
Clean Up Projects	52	0
Cleaning Materials	236	207
Clinic Required: Maternity And Medical	17	18
Computer Licences	1 925	874
Consumable And Small Assets	189	334
Copyright And Radio Licences	21	18
Culture Projects	124	62
Culture Upliftment	20	0
Deed Returns	18	10
Development Facilitation Act	0	2
Disaster Management	836	769
Distribution Network	790	1 104
Donations: Incentives	10	4
Dry-cleaning And Laundering	5	4
Electricity	5 252	4 462
Employment Equity	664	1 173
Entertainment Allowance	1 404	669
Fertilizer And Pesticides	101	71
Forum Entertainment	18	0
Fuel & Oil - Other	12 466	10 720
Grant Finance Management Grant (FMG)	377	308
Grave Number Plates	12	18
Hawker Facilities	263	10
Income Forgone	16 002	0
Jazz Festival	0	19
Khutsong Exp Replacement Reserve	249	7
Led: Special Projects	81	16
Legal Costs	2 417	1 797
Levy: Drivers License Test	766	704
Levy: Roadworthy Certificate	2 971	1 046
Library Books	155	125
Library Material	90	85
Library Temp Workers North West	0	114
Living Units: Emergency Services	0	49
Low Cost Housing	31 867	0
Magazines And Newspapers	42	34
Maps And Copy Paper	51	32
Material And Stock	621	699
Mayoral Projects	72	456
Mayoral Projects	1 462	290
MEC. Sport Commitments	152	892
Medical Examination S-Pension	8	4
Moving Costs: Personnel	0	9
MSIG Municipal Systems Improvement Grant DPLG	1 044	445
National Celebration Day	36	0
Organisational Structure Development	49	42
Other	15	18
Outreach Programmes Library	58	46
Pauper Funeral	67	12
Personnel Bursaries	155	240
PMO Development	195	1 206
Prepaid Meter Conversions	46	148
Prepaid Tokens Electricity	19	0
Primary Health Care	0	913
Printing	629	482
Publicity	205	154
Purchase Black Bags	51	1
Reconstruction Khutsong	3 364	6 313
Recreation Projects	61	74
Reference Library	59	22
Refuse	400	181
Relocation Households	0	36
Rent: C/Chambers (R1 200000 P/A)	1 019	1 019
Rent: Equipment (Internal)	1 069	823
Replacement Of Books	33	31
Rewards	2	9
Sewer	-2	17
Sinkhole Rehabilitation	478	0
Skills Development Levy	967	893
Sportsman And Woman Of The Year	0	24
Stamps, Post Box And Telegrams	40	47
Standpipe Operator Fee	86	46
Stationery	613	692

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
Stock Shortages		780	970
Street Cleansing Contracts		14	0
Subscription Fees To Associations		945	524
Subsidies SPCA		92	100
Sundry Expenses		233	197
Telephone		5 184	4 858
Tender Adverts		84	96
Tools And Equipment		8	157
Tourism Development		132	0
Training And Development		1 004	1 448
Transport		0	0
Travel And Subsistence Allowance		823	635
Trees, Shrubs And Shelters		19	31
Tribute		352	3
Ward Committee Support		47	116
Water		1 487	421
Water Inspectors		132	209
Water Services Development Plan DWAF		120	347
Water Week		0	0
Wedela Agricultural Project		111	0
		106 867	53 979

32 GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	780	1 483
Total Gain / (Loss) on Sale of Assets	780	1 483

33 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	117 098	32 860
Adjustment for:-		
Depreciation and amortisation	23 144	17 335
(Gain) / loss on sale of assets	(780)	(1 483)
Contribution to provisions - current	43 521	59 041
Fair value adjustments	878	917
Finance costs	13 388	13 452
Interest earned	(49 353)	(25 652)
Operating surplus before working capital changes:	147 897	96 470
(Increase)/decrease in inventories	(431)	(841)
(Increase)/decrease in trade receivables	(10 513)	17 245
(Increase)/decrease in other receivables	9 437	(21 536)
(Increase)/decrease in VAT receivable	1 379	(1 579)
Increase/(decrease) in conditional grants and receipts	232 780	757
Increase/(decrease) in trade payables	12 658	7 479
Increase/(decrease) in consumer deposits	953	1 214
Increase/(decrease) in VAT payable	1 909	(133)
Correction of Error	8	(123)
Cash generated by/(utilised in) operations	396 076	98 954

34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	112 718	20 946
INVESTMENTS	190 204	31 354
Net cash and cash equivalents	302 921	52 300

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term liabilities (see Note 15)			
Used to finance property, plant and equipment – at cost		20 303	29 379
Sub- total		20 303	29 379
Cash set aside for the repayment of long-term liabilities			
Cash invested for repayment of long-term liabilities		0	0

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

36 CORRECTION OF ERROR

Finance Lease amended to include residual values

Low cost housing excluded off Assets

Stock and Transit corrected

The comparative amount has been restated as follows:

Amasondo lease payments		6 030	
Stock in Transit		1 528	
Property Plant and Equipment: New Assets		13 777	
Property Plant and Equipment: Low cost housing reverse		(41 979)	
Accumulated Depreciation: New Assets		1 132	
Accumulated Depreciation: Assets written back		(458)	
Government Grant Utilised: depreciation written back		(674)	
Government Grant Depreciation: Assets written back		28 202	
Previous years transactions		(6)	
Net effect on surplus/(deficit) for the year		7 553	
Assets		(26 000)	
Liabilities		6 030	
Government Grants		27 523	
Net effect on Statement of Financial Position		7 553	
Net effect on Accumulated surplus opening balance		0	

37 CHANGE IN ESTIMATE

The useful life of certain plant was estimated in 2009 to be 5 years. In the current period management have revised their estimate to 5 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 4 962 420.

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL

38 EXPENDITURE DISALLOWED

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL

38.1 EXPENDITURE DISALLOWED

Reconciliation of unauthorised expenditure

Opening balance	867	867
Unauthorised expenditure current year	0	0
Approved by Council or condoned	0	0
Transfer to receivables for recovery	0	0
Unauthorised expenditure awaiting authorisation	867	867

Incident	Disciplinary steps/criminal proceedings
Water Tanker Stolen	Outstanding Disciplinary case - SAPS case number 363/12/2004

38.2 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	0	0
Unauthorised expenditure current year	14 239	0
Approved by Council or condoned	0	0
Transfer to receivables for recovery	(14 239)	0
Unauthorised expenditure awaiting authorisation	0	0

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
39 MANAGEMENT ACT			
39.1 Contributions to organised local government			
Opening balance		0	0
Council subscriptions		846	464
Amount paid - current		(846)	(464)
Amount paid - previous years		0	0
Balance unpaid (included in payables)		0	0
39.2 Audit fees			
Opening balance		0	0
Current year audit fee		1 741	1 778
Amount paid - current year		(1 741)	(1 778)
Amount paid - previous years		0	0
Balance unpaid (included in payables)		0	0
39.3 VAT			
VAT input receivables and VAT output payables are shown in notes 11 & 12. All VAT returns have been submitted by the due date throughout the year.			
39.4 PAYE and UIF			
Opening balance		523	0
Current year payroll deductions		20 072	16 331
Amount paid - current year		(20 595)	(15 808)
Amount paid - previous years		0	0
Balance unpaid (included in payables)		(0)	523
39.5 Pension and Medical Aid Deductions			
Opening balance		0	0
Current year payroll deductions and Council Contributions		43 785	37 952
Amount paid - current year		(43 785)	(37 952)
Amount paid - previous years		0	0
Balance unpaid (included in payables)		0	0
39.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
as at 30 June 2009			
C Dyonase		4	2
Total Councillor Arrear Consumer Accounts		4	1
as at 30 June 2008			
T Mokapela		1	0
TK Foteng		3	1
C Dyonase		12	10
Total Councillor Arrear Consumer Accounts		15	12
During the year the following Councillors had arrear accounts outstanding for more than 90 days.			
as at 30 June 2009			
C Dyonase		12	120+
as at 30 June 2008			
T Mokapela		6	120+
TK Foteng		3	120+
C Dyonase		13	120+

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

**Deviations in terms of Section 113 of the Municipal Finance Act and
40 Regulation 36 of the Supply Chain Regulations**

40.1

High Pressure Pump.

Used to clean blocked sewerage lines, pump broke

Reason:

Werner pumps sole provider of spares.

40.2

Water Pipe Burst

Replacement of valves as matter of urgency

Reasons:

Done as matter of emergency, not to hamper service delivery
and prevent water losses.

40.3

Khutsong Reservoir Pump

One pump operational, repair pump to prevent water delivery problems

Reason:

Had to repair pump to prevent water delivery problems.

40.4

Wedela Waste Water Treatment Plant- Borehole Pump

Pump supplying drinking and washing broke

Reason:

All suppliers had closed for Christmas break, only one
Supplier could be contacted.

40.5

Losberg Industrial Road.

Repair and maintenance of road due to high traffic volumes of hereby vehicles

Reason:

Sole provider in large quantities

40.6

Water Care Works:

Treatment plants within Merafong are mostly still using chlorine chips to treat sewerage.

Reason:

Sole provider of chlorine chips

40.7

Potable Water

Testing of drinking water at an accredited testing laboratory waiting period is two week and we have to travel to other towns to have the water tested, thus reason for using locally based company.

Reason:

Only service provider within Carletonville

40.8

Potable Water

Testing of drinking water at an accredited testing laboratory waiting period is two week and we have to travel to other towns to have the water tested, thus reason for using locally based company.

Reason:

Only service provider within Carletonville

40.9

Carletonville Plumbers, Willy's Plumbers and Merafong Plumbers – strike action 29 April

to 8 May 2009.

Illegal strike took place 29 April to 8 May 2009 by SAMWU and assistance was given by Carletonville Plumbers, Willy's Plumbers and Merafong Plumbers for repairs to burst pipes and blocked sewerage line.

Reason:

Emergency repairs and assistance during illegal strike action

40.10

Water Care Works: Chlorine Chips

Treatment plants within Merafong are mostly still using chlorine chips to treat sewerage.

Reason:

Sole provider of chlorine chips

40.11

Emergency Repairs Wes Driefontein Water Pipe line

Emergency repairs to water pipe supplying water to informal settlement

Reason:

Decision was taken by the Superintendent to avoid further water losses and disruption of service to informal settlement.

40.12

Water Care Works: Chlorine Chips

Treatment plants within Merafong are mostly still using chlorine chips to treat sewerage

Reason:

Sole provider of chlorine chips

40.13

Water Care Works: Chlorine Chips

Treatment plants within Merafong are mostly still using chlorine chips to treat sewerage

Reason:

Sole provider of chlorine chips

40.14

Repairs to Gorman Rupp Pump at Water Care Works

Repairs and Maintenance of pump at water care works.

Reason:

MSD Engineering & Mining Supplies are sole agent in Carletonville for this pump, requested other quotation from other suppliers but none were received.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
41 CAPITAL COMMITMENTS			
41.1 Commitments in respect of capital expenditure			
Infrastructure		337 825	62 471
Community		318 486	58 321
Heritage		19 127	3 981
Other		0	0
Total		337 825	62 471

This expenditure will be financed from:

- External Loans	307	2 600
- Government Grants	332 505	412 141
- Own resources	1 082	11 470
- District Council Grants	1 079	0
-Public Contributions and Donations	2 852	38 901
	337 825	465 113

42 RETIREMENT BENEFIT INFORMATION

42.1 Defined benefit plan

The following is defined as a benefit plan: Joint Municipal Pension Fund. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

An amount of R44 million (2008 : R38 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

43 CONTINGENT LIABILITY

43.1 Claim for damages

698 **554**

The Municipality is being sued by an official for constructive dismissal. Council is contesting the claim based on legal advice. A court date has been set for April 2010. The contingent liability includes legal costs of R698 000. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from Operating Expenses

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009 R'000	2008 R'000
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44 RELATED PARTIES

Members of key management

Rabodila, Jacob, Moeketsi	Municipal Manager
Wienekus, Matthys, Gerhardus	Chief Financial Officer
Leseane, Elias, Monosi	Chief Operating Officer
Spies, Lodewyk, Christoffel	Executive Director
Mokgethi, Nomathemba, Emily	Executive Director
Nieuwoudt, Casper, Wilhelmus, Albertus	Executive Director
Murray, Jan, Johannes	Acting Executive Director

Related party balances

Amounts included in Trade receivable (Trade payable) regarding related parties

Consumer accounts - Owing by related parties

Mathikge, Welhemina, Mantsho	1
Foteng, Teboho, Kenneth	1
Dyonase, Mantu, Magaret	4
D.V. Tabane	2

Related party transactions

None

45 EVENTS AFTER THE REPORTING DATE

The Municipality will have to transfer its electricity function to the new Regional Electricity Distributor (RED) - Region AB. The date of transfer is proposed is unknown. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenue of the RED will be or what the terms and conditions of the transfer will be. There are ongoing discussions with the management of RED - Region AB and EDI Holdings, which is the responsible authority for the implementation of REDS nationally.

46 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

47 RISK MANAGEMENT

47.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

ABSA Bank Ltd	107 316	33 175
NEDBANK Ltd	197 460	19 474
INCA	11 268	9 921
Trade and other receivables	415 415	365 620

These balances represent the maximum exposure to credit risk.

MERAFONG CITY LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R'000	2008 R'000
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47.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Later than one month and not later than three months	
		Not later than one month	Later than one month and not later than three months
2009			
Gross finance lease obligations		1 121	3 362
Borrowings		583	1 750
Trade and other payables		38 185	
Other		15 861	
2009			
Gross finance lease obligations		8 966	26 965
Borrowings		4 667	26 829
Trade and other payables			
Other			
2008			
Gross finance lease obligations		1 161	3 484
Borrowings		1 529	4 588
Trade and other payables		25 637	
Other		19 284	
2008			
Gross finance lease obligations		9 290	29 360
Borrowings		12 236	26 829
Trade and other payables			
Other			

47.3 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan

48 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

MERAFONG CITY LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2009

EXTERNAL LOANS		Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009
LONG-TERM LOANS				R'000	R'000	R'000	R'000
INCA @18.00%		FV04-S	2016/06/30	4 000	0	0	4 000
INCA @17.45%		FVL108Z-S	2008/12/30	1 100	0	1 100	0
Annuity Loans				5 100	0	1 100	4 000
FBC Fidelity Investment		FBC57492000383	2008/10/24	11 000	11 000	0	0
INCA @ 10.97%		MER-00-0001	2016/06/30	43 977	3 638	40 339	0
Development Bank of South Africa @ 5%		N/W 102298	2025/06/30	17 200		34 162	
Development Bank of South Africa @ 5%		256555	2011/12/31	3 514		781	2 733
Total long-term loans				75 691	16 962	15 419	77 234
FINANCE LEASES							
ABSA		62986064	2008/12/01	108	0	108	0
ABSA		63109784	2008/10/01	71	0	71	0
ABSA		65699163	2009/12/01	22	0	15	7
Rentworks		08104MCM0002	2008/12/31	357	0	357	0
Rentworks		08287MCM0003	2009/01/01	200	0	200	0
Rentworks		08316MCM0004	2009/01/01	79	0	79	0
Rentworks		08464MCM0005	2009/04/01	1 814	0	977	838
Rentworks		08578MCM0006	2009/04/01	1 292	0	790	501
Rentworks		08710MCM0007	2009/07/01	883	0	325	557
Rentworks		08890MCM0008	2009/07/01	214	0	111	103
Rentworks		09089MCM0009	2009/10/01	332	0	114	218
Rentworks		09441MCM0010	2009/10/01	1 705	0	690	1 015
Amasando		Amasando		33 767	3 042	5 390	31
MTN		MTN1		786	0	413	373
Nashua		NASHUA		1 491	0	356	1 135
Konica		KONICA1		174	300	52	422
				43 295	3 342	10 048	5 201
				124 086	20 303	26 567	86 435
TOTAL EXTERNAL LOANS							

MERAONG CITY LOCAL MUNICIPALITY

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

Cost Revaluation

		Cost Revaluation						Accumulated Depreciation								
		Opening Balance R'000	Additions R'000	Disposals R'000	Adjustments R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Adjustments R'000	Impairment loss/Reversal of impairment loss R'000	Closing Balance R'000	Transfers R'000	Other movements R'000	Carrying Value R'000
Land																
Land	7 101	0	0	0	0	0	7 101	(7)	0	0	0	(12)	0	0	7 089	
Landfill Sites	4 463	0	0	0	0	1 062	5 525	(3 316)	0	0	0	(3 362)	0	0	2 163	
Quarries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	11 563	0	0	0	0	1 062	12 626	(3 324)	(50)	0	0	(3 373)	0	0	9 252	
Buildings	6 618	0	0	0	0	0	6 618	(6 625)	7	0	0	(6 618)	0	0	0	
Infrastructure																
Drains	34 971	0	0	0	0	0	34 971	(21 340)	(805)	0	0	(22 146)	0	0	12 825	
Roads	58 629	2 497	0	0	0	0	61 126	(44 658)	(1 702)	0	0	(46 360)	0	0	14 766	
Sewerage Mains & Purification	120 180	0	0	0	0	41 863	162 043	(49 746)	(4 137)	0	0	(53 883)	0	0	108 180	
Electricity Mains	97 266	0	0	0	0	21 536	118 802	(78 050)	(1 386)	0	0	(79 436)	0	0	39 366	
Electricity Peak Load Equip	30	0	0	0	0	0	30	(30)	-	0	0	(30)	0	0	0	
Water Mains & Purification	49 571	0	0	0	0	0	55 816	105 387	(31 959)	(704)	0	(32 663)	0	0	72 724	
Reservoirs – Water	3 319	0	0	0	0	0	0	3 319	(610)	(19)	0	(630)	0	0	2 690	
Water Meters	794	0	0	0	0	0	0	794	(53)	(53)	0	(209)	0	0	585	
Pedestrian Facilities	3 536	0	0	0	0	0	0	3 536	(2 498)	(57)	0	(2 555)	0	0	981	
Airports	79	0	0	0	0	0	0	79	(79)	0	0	(79)	0	0	0	
Security	1 643	0	0	0	0	0	658	2 301	(1 643)	(27)	0	7 (1 663)	0	0	638	
	370 018	2 497	0	0	0	0	119 873	-	(8 890)	(230 770)	0	0	7 (239 655)	0	0	252 724
Community Assets																
Parks & Gardens	585	0	0	0	0	0	585	0	0	0	0	0	0	0	585	
Libraries	515	0	0	0	0	445	959	0	0	0	0	0	0	0	959	
Recreation Grounds	23 133	73	0	0	0	1 871	25 077	(7 589)	(335)	0	0	(7 924)	0	0	17 153	
Civic Buildings	69 868	0	0	(18)	0	0	69 850	(64 285)	(37)	0	18	(64 304)	0	0	5 546	
Clinics	191	0	0	0	0	0	0	0	0	0	0	(279)	0	0	191	
Other	289	0	0	0	0	1 140	1 430	(275)	(4)	0	0	0	0	0	1 151	
Cemeteries	2 649	1 731	0	0	0	291	4 672	0	0	0	0	0	0	0	4 672	
	97 230	1 804	0	(18)	3 748	102 764	(72 148)	(376)	0	18	0	(72 507)	0	0	30 257	
Heritage Assets																
Historical Buildings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Paintings & Artifacts	44	0	0	0	0	0	0	45	0	0	0	0	0	0	45	
Total carried forward	485 474	4 300	0	(17)	124 683	614 440	(32 867)	(9 309)	0	0	7 (322 151)	0	0	0	292 289	

Cost/Revaluation

	Cost/Revaluation						Accumulated Depreciation							
	Opening Balance R'000	Additions R'000	Disposals R'000	Adjustments R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Depreciation R'000	Disposals R'000	Adjustments R'000	Closing Balance R'000	Transfers R'000	Other movements R'000	Carrying Value R'000
Total brought forward	485 474	4 300	0	(17)	124 683	614 440	(312 867)	(9 309)	0	0	7	(322 151)	0	292 289
Other Assets														
Office Equipment	1 408	491	0	581	0	2 480	(722)	(380)	0.00	83	9	(1 010)	0	1 470
Furniture & Fittings	9 263	406	(1)	(418)	0	9 250	(5 402)	(1 546)	1	807	21	(6 119)	0	3 131
Bins and Containers	690	0	0	(29)	0	661	(690)	0	0.00	29	0	(661)	0	0
Emergency Equipment	60	85	0	(12)	0	133	(37)	(11)	0.00	21	0	(27)	0	106
Motor Vehicles	5 663	0	(146)	(948)	0	4 568	(5 163)	(114)	71	1049	0	(4 158)	0	411
Fire engines	730	0	0	2 387	0	3 117	(474)	(17)	0.00	0	0	(491)	0	2 626
Refuse tankers	0	0	0	0	0	0	0	0	0.00	0	0	0	0	0
Computer Equipment	4 760	1 903	(16)	(119)	0	6 528	(2 422)	(984)	8.84	463	60	(2 874)	0	3 654
Plant and Equipment	11 316	1 273	0	(820)	0	11 769	(7 476)	(1 600)	0.00	1108	146	(7 821)	0	3 948
	33 889	4 153	(163)	623	0	38 506	(22 386)	(4 652)	81	3 559	236	(23 161)	0	15 345
Finance Lease Assets														
Office Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	45 529	3 595	(343)	50	0	48 831	(12 490)	(9 183)	116	30	84	(21 444)	0	27 388
	564 893	12 053	(506)	655	124 683	701 777	(37 742)	(23 144)	197	3 607	327	(366 756)	0	335 021

MERAFONG CITY LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation			Accumulated Depreciation			Closing Balance			Carrying value R'000
	Opening Balance R'000	Additions R'000	Adjustments R'000	Disposals R'000	Closing Balance R'000	Opening Balance R'000	Additions R'000	Adjustments R'000	Disposals R'000	
Executive & Council	83 457	319	(499)	(7)	83 270	(77 435)	(992)	733	1	(77 693)
Finance & Admin	59 171	1 943	(651)	(9)	60 454	(47 902)	(2 570)	1 077	6	(49 388)
Planning & Development	33 141	788	22	0	33 951	(28 627)	(452)	81	0	(28 998)
Health	3 446	103	2 931	0	6 480	(1 601)	(360)	67	0	(1 894)
Community & Social Services	5 060	3 729	188	(1)	8 976	(1 444)	(256)	107	2	(1 590)
Public Safety	951	20	(32)	-	938	(399)	(143)	19	0	(523)
Sport & Recreation	6 054	1 833	95	(303)	7 679	(2 483)	(1 386)	57	149	(3 643)
Housing	27 153	3 818	(458)	0	30 513	(9 561)	(1 779)	698	0	(10 642)
Waste Management	143 073	43 280	(40)	(186)	186 127	(60 081)	(7 276)	59	37	(67 261)
Road Transport	37 284	2 702	(249)	0	39 738	(6 579)	(3 270)	249	0	(9 600)
Water	59 425	55 882	(322)	0	114 985	(34 785)	(1 746)	393	0	(36 138)
Electricity	101 069	22 318	(322)	0	123 065	(75 065)	(2 932)	387	0	(77 610)
Other	5 609	0	(8)	0	5 601	(1 781)	(3)	8	0	(1 776)
Total	564 893	136 736	655	(506)	701 777	(347 742)	(23 144)	3 934	197	(366 756)

MERAFONG CITY LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

2008			2008			2009			
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)				
R'000	R'000	R'000	R'000	R'000	R'000				
1 044	45 979	(44 935)	Executive & Council	419	52 455	(52 036)			
155 588	121 913	33 675	Finance & Admin	225 983	117 737	108 246			
70 939	10 568	60 371	Planning & Development	145 742	43 728	102 015			
15 908	24 572	(8 663)	Health	7 791	26 178	(18 388)			
918	6 461	(5 543)	Community & Social Services	1 036	6 651	(5 616)			
1 206	5 317	(4 111)	Housing	714	4 392	(3 678)			
11 658	20 454	(8 796)	Public Safety	12 556	26 138	(13 582)			
250	17 970	(17 721)	Sport & Recreation	232	18 489	(18 258)			
2 443	2 557	(113)	Environmental Protection	2 066	2 722	(656)			
21 716	23 698	(1 982)	Waste Management	22 680	25 774	(3 093)			
0	8 098	(8 098)	Road Transport	0	9 575	(9 575)			
136 893	109 578	27 314	Water	143 354	124 317	19 037			
86 291	72 256	14 035	Electricity	110 772	98 163	12 608			
15 078	17 651	(2 573)	Waste Water Management	16 339	16 264	74			
519 933	487 073	32 860	Total	689 683	572 584	117 098			

APPENDIX E(1)

MERAFONG CITY LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009			2009 Variance (%)	Explanation of Significant Variances
	R'000 Actual (R)	R'000 Budget (R)	R'000 Variance (R)		
REVENUE					
Property rates	81 854	79 747	2 107	2.64%	
Property rates - penalties imposed and collection ch	2 946	3 861	(916)	-23.72%	Council handed over debtors to debt collectors. This has resulted in that less debtors carried interest.
Service charges	289 898	302 600	(12 702)	-4.20%	
Rental of facilities and equipment	939	712	227	31.87%	Council managed to rent out all its facilities
Interest earned - external investments	32 263	10 292	21 971	213.48%	Council implemented a strict cash management resulting in an increase in investment income.
Interest earned - outstanding debtors	17 090	22 062	(4 972)	-22.53%	Council handed over debtors to debt collectors. This has resulted in that less debtors carried interest.
Fines and Licences and Permits	12 534	9 690	2 845	29.36%	The budget was under estimated
Government grants and subsidies	238 249	353 336	(115 086)	-32.57%	A project in Kokosi progressed slowly and the contractors contract was terminated. The Khutsong Ext 1,2 & 3 project was subjected to the protocol agreement between the two provinces. The project was approved by Gauteng but North-West could not take the project over. A phase in approach was approved and the commencement of the project was delayed for twelve months.
Other income	7 049	8 159	(1 109)	-13.60%	The resession had a serious effect on councils revenue
Public contributions, donated/contributed PPE	2 043	16 064	(14 021)	-87.28%	National Lottery Fund approved certain capital projects for the 2008/2009 financial year. These funds were never received.
Profit or loss and sale of Assets	4 817	1 582	3 236	204.59%	Council sold vacant land that was not budgeted for
Total Revenue	689 683	808 104	(118 421)	-14.65%	
EXPENDITURE					
Executive & Council	52 455	54 880	(2 425)	-4.42%	
Finance & Admin	117 737	119 559	(1 822)	-1.52%	
Planning & Development	43 728	285 254	(241 527)	-84.67%	See one under revenue
Health	26 178	20 708	5 470	26.42%	Salaries of staff was not budgeted for
Community & Social Services	6 651	6 653	(1)	-0.02%	
Housing	4 392	6 431	(2 039)	-31.70%	The budget was under estimated
Public Safety	26 138	25 002	1 136	4.54%	Depreciation was under estimated
Sport & Recreation	18 489	18 912	(423)	-2.24%	
Environmental Protection	2 722	0	2 722	#DIV/0!	Salaries of staff was not budgeted for
Waste Management	42 038	38 023	4 015	10.56%	Depreciation was under estimated
Road Transport	9 575	8 949	626	7.00%	Depreciation was under estimated
Water	124 317	125 383	(1 066)	-0.85%	
Electricity	98 163	98 351	(188)	-0.19%	
Total Expenditure	572 584	808 104	(235 520)	-29.14%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	117 098	0	117 098	#DIV/0!	

APPENDIX E(2)

MERAFONG CITY LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u> <u>Actual</u>	<u>2009</u> <u>Total</u> <u>Additions</u>	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Variance</u>	<u>2009</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R'000	R'000	R'000	R'000		
Executive & Council	319	319	530	211	39.83%	Council deferred projects that was not off an urgent nature
Finance & Admin	1 943	1 943	4 866	2 922	60.06%	Council planned to erect a call centre that did not materialise
Planning & Development	788	788	2 791	2 003	71.76%	Council planned to do a geotech investigation in the Welverdien areas which was deferred to next financial year.
Health	103	103	0	(103)	100.00%	Health is a Provincial competency
Community & Social Services	3 729	3 729	6 313	2 584	40.93%	National Lottery Fund approved certain capital projects for the 2008/2009 financial year. These funds were never received.
Housing	3 818	3 818	35 146	31 328	89.14%	Council is busy with the conversion of GRAP 17. Top Structures were budgeted as capital. Expenditure are of an operating nature.
Public Safety	20	20	253	233	92.15%	Funds were not provided for during the 2008/2009 budget and savings from other departments were utilised
Sport & Recreation	1 833	1 833	4 691	2 858	60.92%	National Lottery Fund approved certain capital projects for the 2008/2009 financial year. These funds were never received.
Waste Management	43 280	43 280	104 006	60 726	58.39%	Infrastructure of the new Khutsong development could only start in the latter part of the financial year.
Road Transport	2 702	2 702	2 535	(167)	-6.59%	
Water	55 882	55 882	80 720	24 838	30.77%	Infrastructure of the new Khutsong development could only start in the latter part of the financial year.
Electricity	22 318	22 318	23 507	1 189	5.06%	
Other	0	0	0	0		
TOTAL	136 736	136 736	265 357	128 621	48.47%	